

## DJB during the Revolution Era

*Following the Japanese surrender on 15 August 1945, Indonesia soon proclaimed its independence on 17 August 1945. Shortly, the allied force under the South East Asia Command (SEAC) led by Admiral Lord Louis Mountbatten arrived in Indonesia. The allied force (British soldiers) assigned to Indonesia was called the Allied Forces Netherlands East Indies (AFNEI) and led by Lieutenant General Sir Philip Christison. They reached Jakarta on 29 September 1945 with the main duty to disarm the Japanese soldiers and released the prisoners of war and prisoner camps. At first, the Indonesians welcomed their arrival with neutral attitude. However, such attitude was quickly changed to hostility and struggle upon finding out that on 7 October 1945, the Dutch returned to Indonesia by getting a ride with the allied force in order to reinstate their power in Indonesia and established Nederlandsche Indische Civil Administrative (NICA).*

Despite the fact that in the territory of Dutch Indies, a Republic of Indonesia (RI) had been proclaimed, the Dutch believed that such territories remained in the hands of the Dutch Indies Administration. Through a number of ways, the Dutch attempted to gain control again over Indonesia. As a result, de facto there were two governments in the Indonesian territories, namely the government of the Republic of Indonesia under Soekarno-Hatta and the civil administration of Dutch NICA under Lieutenant Governor General H. J. van Mook. This condition posed an impact to the Indonesian economic sector, including the banking sector. From 1945-1949, banking activities were running both administration territories. While the Dutch Banks were operating again in the territories controlled by the Dutch, the government of the Republic of Indonesia carried out its own attempts to build the national banking system as stated in the 1945 Constitution.

## Banking Institution during the Revolution Period

### The Territories of the Republic of Indonesia

On 18 August 1945, the Indonesian Independence Preparation Committee (PPKI) approved the Indonesian Constitution known as the 1945 Constitution. This Constitution provided a strong foundation for the nation, state and communities aimed at ensuring the people's welfare which is just and prosperous. Therefore, one of the areas that received a major attention in the 1945 Constitution was economic development. In the elucidation of the 1945 Constitution, Chapter VIII article 23 on Financial Matters, Indonesia announced its goal to establish a central bank called Bank Indonesia as to consolidate its territories and economic & monetary integrity.

As its first step, on 16 September 1945 the government granted an Authority to R. M. Margono Djojohadikosoemo to take the necessary measures for the establishment of the Central Bank in Indonesia. Upon a recommendation by a notary in Jakarta, namely R.M. Soerojo, they first set up a foundation that served as a "transitional institution" prior to the establishment of a state bank. The recommendation was based on the consideration that to establish a state bank, it would require a act that could unlikely be issued within a foreseeable future. Based on this recommendation, on 19 October 1945, the government set up Jajasan Poesat Bank Indonesia (JPBI) chaired by the Indonesian Vice President, Mohammad Hatta. The Notary Deed of the foundation establishment declared that the foundation which was later on called "Bank Indonesia" was empowered to run the activities as a commercial bank such as

disbursing loans, issue bonds, accept current account saving, time deposit and saving as well as providing economic information. In compliance to such power, from October 1945 and June 1946, the foundation issued the National Bonds of 1946 which received warm and spontaneous response from the Indonesian people. Through such bond issuance, JPBI was able to strengthen the state finance.

### The Territories under NICA Administration

On 10 October 1945, NICA received the access to the head offices of Japanese banks in Jakarta. De Javasche Bank (DJB) was again turned into a circulation bank and played the role of *Nanpo Kaihatsu Ginko*. From this day, the Japanese banks that remained operating in a number of places were under the Dutch supervision and represented by DJB and NHM. Later these banks were liquidated and closed down on 15 January 1946. Upon the reopening of such banking activities, these banks had to face numerous banking problems. To overcome this, NICA set up a Banking Commission in November 1945 comprising Director of Finance as the President and commission members consisting of Managing Directors of the respective banks in Dutch Indies and a Secretary.

As it occurred in the banking sector in general, DJB was facing a series of problems upon starting its activities again. On 15 November 1945, the DJB's President, Buttingha Wichers held its meeting after the war to discuss a number of resolutions concerning banking issues in Indonesia. However, shortly after this, on 17 November 1945, Buttingha passed away from heart attack. His death and the absence of R.E. Smits made the positions of DJB management vacant. As the condition then did not allow the election of DJB management according to the prevailing procedure, on 28 February 1946, Lieutenant Governor General based on his inherent existing power appointed J.C. van Waveren an Acting President and H.J. Manschot a Managing Director. But these positions were short lived as in September 1946, R.E. Smits arrived in Indonesia, and Waveren resigned from his Presidency when he had to leave Dutch Indies for health reason. Under Decree of Lieutenant Governor General dated 10 October 1946, R. E. Smits was appointed Acting President and H. Teunissen as the Managing Director of DJB.

From 1945-1949, DJB could in stages reopen its branch offices throughout Indonesia. First of all, DJB opened its Head Office in Jakarta on 14 March 1946 followed by the Semarang, Manado, Surabaya, Banjarmasin, Pontianak, Bandung and Medan. Prior to this, in Makassar and Kalimantan, the banks there for their very first time applied a pooling system, and the local DJB Branch Offices were acting as the pool leaders. The reason for this was the small business value taking place in these areas. It would not be economically viable therefore for the respective banks to reopen their branches separately. Following the first Dutch Military Aggression, on 21 July 1947, DJB opened its Branch Offices in Palembang, Cirebon, Malang and Padang. The final phase of DJB's branch offices took place following the 2nd Dutch Military Aggression on 19 December 1948. This time the Yogyakarta, Solo and Kediri branch offices were reopened. The Yogyakarta Branch Office had to be closed on 29 June 1949 when the Dutch troops were withdrawn from Yogyakarta upon a diplomatic negotiation between NICA and Republic of Indonesia. As the condition was unfavorable, finally only the Aceh Branch Office was intact.

From August 1947, the Dutch Indies Administration reinstated R.E. Smits as the DJB's President for a five-year period. Thereafter, the vacant positions were filled to

consolidate its management. R.E. Smits failed to complete his tenure as the DJB President when he passed away on 13 September 1949. Further, on 29 October 1949, A. Houwink was elected DJB President to replace R.E. Smits. From 1945-1949, the DJB Head Office was made up of the following working units: General Supervision Section, Economic Statistics Section, Foreign Section, Bank Draft Section, Stock Section, Credit Extension Section, Secretarial Section, Personnel Section, Central Administration Section, Cash and Banknote Section, Bookkeeping Section and Production Section.

## **Monetary Policies during the Revolution Times**

### **Territories of the Republic of Indonesia**

The independence battles went on and as a result, the government of the Republic of Indonesia was unable to implement planned and systematic monetary policies to sustain prices. The policies adopted then were more focused on meeting the banknotes to recover the state financial deficit and fulfill the transaction needs. Throughout this period, the Indonesian Government issued a number of acts to regulate the circulation of kartal money as the steps to reduce the inflationary pressure resulting from excessive money in circulation. Upon having issued ORI banknote, the government immediately determined its conversion rate against the value of the prevailing currencies and for the calculation of debt repayments through Decree No. 19 of 1946 dated 25 October 1946. This act, among others, determined ORI's conversion rate as follows:

1. Ten ORI rupiah was equivalent to 5-gram pure gold
2. One ORI rupiah was equivalent to fifty Japanese money
3. For the territories outside Java and Madura, one ORI rupiah was equivalent to one hundred Japanese rupiah. In this case, the Minister of Finance reserved the right to change such the basis for such conversion when deemed necessary.

Meanwhile, in order to repay all types of debts, the Act determined that:

1. One valid rupiah prior to the issuance of ORI was equivalent to one ORI rupiah, if the debt was made before 1 January 1943
2. Twenty valid rupiah prior to the issuance of ORI was equivalent to one ORI rupiah, if the debt was obtained from 2 January 1944 until 1 January 1946
3. Fifty valid rupiah prior to the issuance of ORI was equivalent to one ORI rupiah, if the debt was obtained on 1 January 1946 or afterwards
4. Repayment of debts that had been obtained before 1 January 1946 could not be made in the Japanese money upon the enactment of this Act

Apart from determining such conversion rate, the Indonesian government had also regulated the money circulation before and after the issuance of ORI. Prior to this, the government was attempting to restrict the use of the Japanese invasion currency and the Dutch Indies currency and gradually withdrew them. To make ORI as the only valid payment instrument in a bid to stabilize the monetary value, as from 15 June 1946, the Japanese invasion currency and the Dutch Indies money that remained in the hands of the community and companies had to be kept in the banks

determined by the government, namely: BNI, BRI, Bank Surakarta, Bank Nasional, Bank Tabungan Pos dan Rumah Gadai. Furthermore, as from 16 October 1946, all cash surplus had to be kept in one of these banks. Upon regulating the money surplus, the government during the early period of ORI circulation also determined the maximum prices of basic consumer goods that had to be adhered to by the traders. This regulation was exclusively enforced in a number of places in Java which in 1948 the prices of basic consumer goods had jumped 2.5-2.6 times on average.

### **The Territories of NICA's Administration**

Meanwhile, NICA also issued a series of monetary policies in the territories under its control. The measures taken by NICA (the Dutch colonization administration) were more focused on foreign exchange policies and trade traffic. Such was deemed vital to help overcome the foreign exchange crisis and increased NICA's revenue to recover the state budget deficit. This NICA's first monetary step was to devalue the exchange rate of the Dutch Indies gulden in line with the development of the Dutch Gulden in the Netherlands. After the 2nd World War, the Dutch Government devaluated the Dutch Gulden's value up to 29.12%, namely from f 1.88 per USD to f 2.65 per USD. This devaluation was announced on 7 September 1945 in the Netherlands, while in the Dutch Indies (Indonesia), it was announced on 6 March 1946. As the devaluation in Dutch Indies took place happened much later, the period from 7 September 1945 and 6 March 1946, the ratio of 1:1 between the Dutch gulden and the Dutch Indies gulden was negated. Based on such range, the value of the Dutch Indies gulden was recorded 40% higher than that of the Dutch gulden against other currencies. During this revolution period, Dutch Indies re-devaluated Dutch Indies gulden up to 30% on 20 September 1949. This action was in line with the devaluation introduced in the Holland on the same day.

On 15 July 1947, after nearly all NICA's money entered into the circulation, DJB began to print its post-war banknotes. And later when the banknotes were in short supply, the currencies of DJB and the Dutch Indies Administration that had been in circulation before the war were again declared as valid payment instrument as from 27 May 1948. As a circulation bank, DJB was responsible for regulating new banknotes in an appropriate amount. In respect to this, DJB had to be careful to keep the amount of money and availability of goods in balance. Accordingly, the NICA Administration issued Freezing Regulation of 1945 and the tight monetary policies introduced by the Government in Java and Sumatera to maintain the purchasing power of the new banknotes. Such policy was not valid in other islands as the import and export flow up to a certain limit had been restored. Besides, DJB had gradually restored important links that had been established before the war. The mechanisms created from 1940 to 1942 to take care of the monetary traffic with foreign countries had been fully reinstated and even expanded as far as Europe was concerned.

Physical clashes that occurred frequently during the revolution period further spurred inflation rate. This had widened the disparity between the exchange rate of rupiah and other foreign currencies. Such was a reflection of rupiah over-valuation that kept rising and put pressure to the balance of payment. To overcome this, the Dutch colonization government amended the Inducement System (the purchase right) which had initially been effected in West Kalimantan in mid 1946. Under this system, the Dutch colonization government in return gave advance payment to the copra exporters for the purchase of textile at lower price. This system was later extended

to other commodities including rice. In 1947, the export of the people's rubber in West Kalimantan began to be less competitive due to lower rubber selling price than that in other countries. This condition led to rampant smuggling to Singapore. To overcome this problem, the Dutch colonization government introduced the inducement system for rice, as West Kalimantan had to import rice from other places. Based on such inducement system, each sales of one ton of rubber entitled to payment advance for 50 kg of rice at a lower price compared to the prevailing price. As this system was profitable, it spread to the whole territory and was valid for different people's production output.

A foreign exchange regime regulated by the Dutch colonization government applied to the trade traffic and payment to overseas based upon the Foreign Exchange Regulation of 1940 and Deviezen Verordening of 1940. The main features of foreign exchange regime was foreign exchange and gold belonged to the state only, while individuals and companies were not allowed to control foreign exchange. Consequently, exporters had to hand over the foreign exchange they had earned to the Foreign Exchange Fund operating under DJB. On the contrary, importers who needed foreign exchange could obtain it with the permission from the authorized government, namely The Foreign Exchange Institute of Dutch Indies (NIDI). Later on this body became Indonesian Foreign Exchange Institute (DIVI) and in 1946 the Board of Directors of DJB changed DIVI to Institute of Foreign Payment Instruments (LAAPLN). However, such provision was not valid to foreign companies operating in the Indonesian territories. The Dutch Indies entered into Let Alone Agreement with foreign oil companies such as Stanvac, Caltex, BPM, and Royal Dutch Shell Group. This agreement acquitted those companies from their obligations to hand over their export earnings to the Foreign Exchange Fund and they did not have to ask for permission to purchase foreign exchange for import purposes and other expenditures. As replacement, they would pay tax only to the government using rupiah that had to be purchased using foreign currencies.

During the war period, the foreign exchange position of the Dutch Indies remained being under pressure. Consequently, to pay import activities, the Dutch Indies government used, among others, Marshall Aid Plan, namely foreign aid offered by the United States to rehabilitate the economies of European countries post World War II, including Holland. Indonesia (Dutch Indies) as a Dependent Territory of Holland received fund comprising Direct Aid and Indirect Aid. In 1948, the Government of Dutch Indies received aid worth USD 60 million consisting of USD 45 million of Direct Aid or Grant and USD 15 million of loan from US Export-Import Bank. These funds were subsequently used to back up the monetary stabilization program and develop new products. In 1949, another Direct Aid amounting to f 94.8 million and Indirect Aid worth f 54.7 million was received. These aids were stopped when Holland recognized Indonesia's sovereignty in the end of 1949. Following such sovereignty recognition, Indonesia is no longer a dependent territory of Holland.

## **Banking Policies during the Revolution Period**

### **The Territories of the Republic of Indonesia**

By way of Act No. 2 of Government Regulation of 1946 dated 5 July 1946, the government established Bank Negara Indonesia as the circulation bank for Indonesia. Bank Negara Indonesia (BNI) was a new institution originated from Jajasan Poesat Bank Indonesia (JPBI) that had been blended in. Prior to this, on 22

February 1946, the government had earlier set up Bank Rakyat Indonesia (BRI) which was assigned to operate as a commercial bank in general but was focused on extending loans to the ordinary people, particularly the farmers. BRI occupied the offices that were previously used by Syomin Ginko, a community loan bank established by the Japanese to replace the role of *Algemeene Volkscrediet Bank* (AVB) during the Dutch Indies period. Although it was declared in its incorporation act that BRI was the continuation of AVB, in reality in the territories controlled by the Dutch, AVB continued to operate. Similarly, *de facto* wise, BNI and BRI were operating only in the territories controlled by the Republic of Indonesia.

In addition to both state banks, during this period, there had been private banks operating in Java, namely: Bank Nasional Indonesia (Surabaya, since 1928) and Bank Surakarta MAI (Solo, since 10 November 1945). Outside Java, particularly in Sumatera, there were three private banks operating over there, namely Bank Indonesia (since 8 May 1946) in Palembang, Bank Dagang Nasional Indonesia (since 26 January 1946) in Medan and Bank Nasional (since 7 December 1930) in Bukittinggi. Furthermore, on 1 January 1947, the government of the Republic of Indonesia and Bank Negara Indonesia jointly established Banking and Trading Corporation (BTC) in Jakarta as the foundation to develop a trading bank which could extend loans to export-import activities.

In reality, the role of banks, including Bank Negara Indonesia which was operating in the territories of the Republic of Indonesia during the revolution period was insignificant. As these banks lacked correspondence overseas, they could not function as payment traffic with foreign countries. Likewise, for domestic payment traffic, the people hardly made use of bank services as payments were normally made in cash or through barter. Nonetheless, the national banks played an important role to assist the government in circulating ORI currency as the very first money of the Republic of Indonesia.

### The Territories of NICA Administration

The restoration of the banking activities in the territories under the Dutch control began as soon as NICA acquired its access to the head offices of Japanese banks in the end of 1945. Shortly, the first bank policy adopted by NICA was closing the Japanese banks, namely Syomin Ginko, Nanpo Kaihatsu Ginko, Mitsui Bank, Yokohama Specie Bank and Taiwan Bank which had been used by the Japan to finance its troops during the 2<sup>nd</sup> World War. Nanpo Kaihatsu Ginko circulation bank was liquidated under the supervision of DJB which again retained its role as the circulation bank and commercial bank like it used to be. Apart from closing down Syomin Ginko, NICA revived AVB which operated like a people's loan bank. This bank was not willing to be accountable to the activities of Syomin Ginko although the Japanese had established this as continuation and replacement of AVB.

In 1946, *De Bank voor Nederlandsch Indie* was relocated from Paramaribo, Suriname to Batavia in order to settle the banking problems. However, the banking conditions post the Japanese occupation were not as worse as those previously thought of. In general, the Dutch banks stated that the losses they suffered during the Japanese occupation did not make them collapse. As a result, they could afford operating again and played their original role again. Furthermore, on 2 January 1946, the Governor General officially allowed DJB and the other Dutch banks to open their branch offices in line with the progresses achieved by the territories under its



control. This decision nullified Decree of the Dutch Indies Administration of 1944 on the ban of banking activities in Dutch Indies.

Shortly, all major banks belonging to the Dutch such as NHM, NIHB and Escomptobank began to operate again like they used to before the Japanese occupation. Apart from these Dutch banks, a number of British banks were allowed to operate again, namely The Chartered Bank of India, Australia, China, as well as Hong Kong & Shanghai Banking Corporation, as well as other foreign banks, namely Overseas Chinese Banking Corporation and Bank of China. In addition, there were a number of local banks in the territories controlled by the Dutch, namely NV Bankvereeniging Oei Tiong Ham (1906) which was opened again in Semarang, Bank Timur NV (1949) in Semarang, Chung Hwa Shangieh Maatschappij in Medan, NV Batavia Bank (1918) that was opened again in Jakarta and became Bank Jakarta and Bank Boemi IMA. Also during the revolution period, a new non-banking institution, namely *Bureau Herstel Financiering* (BHF) was established by *Bijeenkomst voor Federal Overleg* (BFO) and was protected by the Ministry of Finance. This institution was assigned to provide rehabilitation funds for the companies suffering from damage as a result of the 2<sup>nd</sup> World War.

### **The Payment System Policies during the Revolution Period**

#### **The Territories of the Republic of Indonesia**

Amid the struggles for independence, creating an identity that could demonstrate the Republic of Indonesia's sovereignty was the most important. To do so, one of the attempts would be printing currency. Following the independence proclamation, the government of the Republic of Indonesia was urged to issue its own currency. Previously as there had been numerous currencies in circulation, the Indonesian government had to issue a number of provisions that regulated the types of currencies which were acceptable as payment instruments in the territories of the Republic of Indonesia. First, the government issued Announcement of the Government of the Republic of Indonesia dated 2 October 1945 which determined that NICA currency was not valid in the territories of the Republic of Indonesia. Next, the government issued Announcement of the President of the Republic of Indonesia No. 1/10 dated 3 October 1945 which determined a number of currencies that were valid as payment instruments in the territories of the Republic of Indonesia. These currencies were:

1. the banknotes of De Javasche Bank that were issued from 1925-1941 in eight denominations of five to one thousand rupiah
2. banknotes of the Dutch Indies Administration that were issued from 1940-1941 in the denominations of two and half rupiah and one rupiah
3. banknotes of the Japanese Military Administration in Java consisting of one hundred rupiah, ten rupiah, five rupiah, one rupiah, fifty cents, ten cents, five cents and one cent
4. coins of the Dutch Indies Administration issued before 1942 made of gold in the denominations of ten and five rupiah; silver coins comprising two and half and one rupiah, fifty cents, twenty five cents and ten cents; nickel coins worth five cents and brass coins in the fractions of two and half cents, one cent and half cent.

Upon the issuance of both announcements, the government had to proceed with reconditioning efforts before issuing the banknotes of the Republic of Indonesia. Finally through Act No. 17 of 1946 dated 1 October 1946, the government officially issued *Oeang Repoeblik Indonesia* (ORI). Further, the regulations concerning the emission of ORI, including its conversion rate against the other currencies in circulation were laid down in Act No. 19 of 1946 dated 25 October 1946. Meanwhile, through Decree of the Minister of Finance dated 29 October 1946, ORI was declared as official currency as from 30 October 1946 at 00:00. On this very day, Vice President of the Republic of Indonesia, Moh. Hatta delivered his speech to welcome ORI via the Radio of Republic of Indonesia (RRI) of Yogyakarta.

In the early period of ORI's circulation, every Indonesian citizen was given one ORI rupiah to replace the Japanese money which remained valid until 16 October 1946, namely the date when the bank deposit could be exchanged with ORI. Until the establishment of *Pemerintah The Unitary State of the Republic of Indonesia* (RIS), there were five emissions, namely:

1. ORI of 1<sup>st</sup> Emission, Jakarta, 17 October 1945 in eight denominations, namely 1 cent, 5 cents, 10 cents, ½ rupiah, 1 rupiah, rupiah, 10 rupiah and 100 rupiah.
2. ORI of 2<sup>nd</sup> Emission, Yogyakarta, 1 January 1947 in four denominations, namely 5 rupiah, 10 rupiah, 25 rupiah, 50 rupiah and 100 rupiah.
3. ORI of 3<sup>rd</sup> Emission, Yogyakarta, 26 July 1947 in the denominations of ½ rupiah, 2½ rupiah, 25 rupiah, 50 rupiah, 100 rupiah and 250 rupiah.
4. ORI of 4<sup>th</sup> Emission, Yogyakarta, 23 August 1948 in unique denominations of 40 rupiah, 75 rupiah, 100 rupiah and 400 rupiah. While, the denomination of 600 rupiah had been prepared but not circulated.
5. ORI of 5<sup>th</sup> Emission, Yogyakarta, 17 August 1949 in denominations of 10 new cents, ½ new rupiah and 100 new rupiah.

The raging armed clashes had made the ORI's circulation difficult in a number of places. The government worried that the shortage of ORI could trigger NICA to circulate its own currency. As a result, the Indonesian government empowered certain Regional Administrations to issue their own banknotes as valid payment instruments and though they were valid only in those restricted areas. Such money emission was guaranteed by the Government and at the appropriate time they could be exchanged with ORI. Pursuant to Government Regulation No. 19 of 1947 dated 26 August 1947, the regional governments equivalent to provinces, sub provinces and districts emitted Uang Republik Indonesia Daerah known as URIDA. Below were URIDA banknotes that had been emitted, among others:

1. URIPS: Republic of Indonesia Currency of North Sumatera
2. URIDAB: Emergency Banknote for Banten Territories
3. Official Receipt for the Special Region of Yogyakarta
4. Money Exchange Coupon for Jambi
5. Official Receipt for Lampung Sub Province
6. Mandate of Palembang Regional Defense Council (DPDP)
7. Official Receipt valid for South Sulawesi



8. Obligation of the Government of the Republic of Indonesia for the Asahan District
9. Defense Mandate for Lampung Sub Province
10. Official Receipt valid for Aceh territories

#### Territories of NICA Administration

Meanwhile, in the territories occupied by the Dutch, there had been various currencies in circulation such as DJB Banknotes, banknotes and coins of the Dutch East Indies Administration and Japanese currencies. Apart from these currencies, the Dutch also circulated NICA currency that had been printed long before they returned to Indonesia. The civil administration of Dutch East Indies had long predicted that one day they would come back to Indonesia. They were of the opinion that the surrender of the allied force to Japan in 1942 was military only while the civil administration of Dutch East Indies had never surrendered itself so it had never recognized the sovereignty of the government of the Republic of Indonesia proclaimed on 17 August 1945. The Dutch thought that this move had been engineered by the Japanese.

As a result, the Dutch had prepared for their return to govern Dutch East Indies again, including printing the banknotes which would later on replace the Japanese money and other currencies. They had predicted that it would be difficult for DJB to fully function again when they landed again in Dutch East Indies territories. The banknotes were printed in 1943 by American Banknote Company comprising the fractions from 50 cents up to 500 gulden/rupee. These banknotes quoted their gulden value in Dutch and rupiah value in Bahasa Indonesia. All these NICA's denominations featured Queen Wilhelmina and jointly signed by Acting Governor, Lieutenant General, H.J. van Mook and DJB President, R.E. Smits. As the fractions of 50 cents and 10 rupiah were dominated by red color, these NICA banknotes were often referred to as "red money". These NICA banknotes were circulated following the Japanese surrender, particularly in the territories controlled by the Dutch and even smuggled to the territories of the Republic of Indonesia.

In addition to such NICA banknotes, in the territories of the Dutch occupation, DJB currency was also circulated bearing 1946 and banknotes of the Dutch Government with emission dates of Batavia (Jakarta), December 1947. These DJB banknotes were also called DJB banknotes of emergency emission of 1946, issued in the fractions of 5, 10, and 25 gulden/rupee. These three fractions continued to be circulated in Indonesia until they were later withdrawn from circulation in response to the Sjafruddin Cutting policy in 1950. While the banknotes of the Dutch Government were emitted pursuant to Regulation of 20 November 1947 with fractions of 10 cents and 25 cents. These government banknotes were dominated by Indonesian language and bore the word "INDONESIA" as the issuer.

Following a long and winding process, either through physical battles and diplomacies, the clashes between Republic of Indonesia and Holland were settled through a series of negotiation. Holland and Indonesia finally agreed to settle their disputes through the Round Table Conference held from 23 August until 2 November 1949 in The Hague, Netherlands. This Round Table Conference agreed that the Dutch Government would fully hand over the sovereignty of the Republic of Indonesia as part of The Unitary State of the Republic of Indonesia (RIS). Further, in the economic

and finance, in article 19 of the Draft Financial and Economic Agreement resulting from the Round Table Conference declared that RIS owed 4.3 billion gulden to Holland. Consequently, RIS had to consult Holland first if it wished to amend its Act on Currencies or Act on Circulation Bank, namely DJB which was effective during the recognition of sovereignty. A similar step had to be taken if the government of the Republic of Indonesia intended to make to make Act on New Currency or Act on Circulation Bank as a circulation bank for RIS. While the status of Bank Negara Indonesia which originally had been assigned as a circulation bank was turned to a development bank